

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Banston Memorial Library</i>	County <i>Tuscola</i>
Audit Date <i>12-31-04</i>	Opinion Date <i>5-25-05</i>	Date Accountant Report Submitted to State: <i>6-30-05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). *See note 10*
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ yes ☐ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. *Had MI branch beg of year; will move when CD matures*
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Anderson Tuckey Bernhardt + Doran P.C.</i>			
Street Address <i>745 E. Frank Street</i>	City <i>Caro</i>	State <i>MI</i>	ZIP <i>48723</i>
Accountant Signature <i>Valmi Sammi Harkel CPA</i>			

RAWSON MEMORIAL LIBRARY

Cass City, Michigan

REPORT ON FINANCIAL STATEMENTS

As of and for the Year Ended

December 31, 2004

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

May 25, 2005

INDEPENDENT AUDITOR'S REPORT

Rawson Memorial Library
Cass City, MI 48726

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Rawson Memorial Library, Cass City, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rawson Memorial Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Rawson Memorial Library as of December 31, 2004 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As describe in Note 1 the Library has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages I through IV and pages 12 and 13, are not a required part of the basic financial statements but are required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Page two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rawson Memorial Library's basic financial statements. The accompanying additional information such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant additional information, such as combining and individual nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER, 2004**

This discussion and analysis of the Rawson Memorial District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2004. This is the first year that this analysis has been required by law. Please read it in conjunction with the Library's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts-management's discussion and analysis, the basic financial statements, and the required supplementary information. The basic financial statements include information that presents two different views of the Library.

The first, second, and third columns of the financial statements include information on the Library's General Fund and Special Revenue Funds under the modified accrual method. These Funds Financial Statements focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The Government-Wide Financial Statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

As this is the first year of the Library's management's discussion and analysis report, and, consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data comparative with prior years. In future years, the condensed financial information section will include this information.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER, 2004**

CONDENSED FINANCIAL INFORMATION

The table below shows key financial information in a condensed format:

ASSETS	
Current assets	\$ 777,081
Capital assets	<u>679,293</u>
Total assets	\$1,456,374
LIABILITIES	
Current liabilities	\$ 25,252
Long-term liabilities	<u>6,314</u>
Total liabilities	\$ 31,566
NET ASSETS	
Invested in capital assets	\$ 679,293
Unrestricted	<u>745,515</u>
Total net assets	<u>\$1,424,808</u>
REVENUE	
Taxes	\$ 162,393
Gifts and bequest	145,165
Other	<u>106,823</u>
Total revenue	414,381
EXPENSES	
Personal service	174,088
Other	<u>102,151</u>
Total expenses	276,239
CHANGE IN NET ASSETS	138,142
NET ASSETS, JANUARY 1, 2004	<u>1,286,666</u>
NET ASSETS, DECEMBER 31, 2004	<u>\$1,424,808</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER, 2004**

THE LIBRARY AS A WHOLE

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all fixed assets at full cost less accumulated depreciation.
- As a result of this change, the Library reports net assets of \$1,424,808 this year on a full accrual basis, as compared to \$751,829 on the modified accrual basis of accounting.
- The Library's primary sources of revenue were from property taxes and gifts and bequests for the year ended December 31, 2004. Total tax collections were \$162,393 representing approximately 39 percent of total revenue for the library as a whole. Total gifts and bequests were \$145,165 representing approximately 35 percent of total revenue for the library as a whole.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the year ended December 31, 2004, this expenditure was \$163,267 representing 59 percent of the total expenditures for the library as a whole..
- Depreciation expense totaling \$49,883, which represents 18 percent of the Library's total expenses, is new to the Library, with the implementation of GASB 34.
- Total expenditures for the entire year under the modified accrual method of accounting were \$260,773.

THE LIBRARY'S FUNDS

The budgetary analysis of the General Fund and Endowment Fund is included on pages 7 and 8, which includes revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance. The fund balance of the General Fund increased during the current year by \$98,648. This represents unspent revenue greater than expenses. The fund balance of the Endowment Fund increased during the current year by \$65,587. This represents unspent revenue greater than expenses.

LIBRARY BUDGETARY HIGHLIGHTS

Over the course of the year, the Library Board amended the General Fund and Endowment Fund budget's. The major variance was in Gifts and Bequest.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of the fiscal year, the Library had \$679,293 (net of accumulated depreciation) invested in buildings, furniture, equipment, books and materials. During the year, \$21,060 was spent on books and new collection items and \$14,214 was spent on equipment.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER, 2004**

Also during the year many Endowment CD's were cashed in and re-invested due to either a more favorable rate or to comply with the FDIC \$100,000 limit.

NEXT YEAR'S MILLAGE RATES

For fiscal year 2004, the Library had two millages: .7476 expiring in 2012, and .3489 expiring in 2005. For 2005 they will be .7455 and .3479 respectively. A Board decision will need to be made on whether to pursue the .35 millage renewal in 2006.

ECONOMIC FACTORS

The Library's major sources of funding continue to be property taxes and penal fines from the county. The economic climate continues to stagnate in the Thumb, and property taxes see only slight increases. Penal fines also look to be very dismal in 2005. We continue to plan for the future and will monitor expenses while trying to maintain the level of service our patrons have come to expect

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be address to Kate Van Auken, Library Director, Rawson Memorial Library, 6495 Pine Street, Cass City, MI 48726.

BASIC FINANCIAL STATEMENTS

RAWSON MEMORIAL LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUP
December 31, 2004

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Other Nonmajor Governmental Funds
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash on hand & in bank	\$ 195,175		\$ 6,318
Certificates of deposits	40,000	\$ 533,381	
Due from other funds	2,207		
Total current assets	<u>237,382</u>	<u>533,381</u>	<u>6,318</u>
CAPITAL ASSETS:			
Capital assets, net of accumulated depreciation			
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 237,382</u>	<u>\$ 533,381</u>	<u>\$ 6,318</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Deferred revenue	\$ 17,201		
Due to other funds			\$ 2,207
Due to trust and agency fund	5,844		
Total Current Liabilities	<u>23,045</u>	<u>-</u>	<u>2,207</u>
LONG-TERM LIABILITIES:			
Compensated absences			
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>23,045</u>	<u>-</u>	<u>2,207</u>
<u>FUND BALANCE</u>			
Unreserved	214,337		
Reserved		\$ 533,381	4,111
Investment in general fixed assets			
TOTAL FUND BALANCE	<u>214,337</u>	<u>533,381</u>	<u>4,111</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 237,382</u>	<u>\$ 533,381</u>	<u>\$ 6,318</u>
<u>NET ASSETS</u>			
Invested in capital assets- net of related debt			
Unrestricted			
TOTAL NET ASSETS			

The accompanying notes are an integral part of the financial statements.

Total - Modified - Accrual Basis	GASB No. 34 Adjustments	LIBRARY AS A WHOLE Statement of Net Assets
\$ 201,493 573,381 2,207 <u>777,081</u>	<u>-</u>	\$ 201,493 573,381 2,207 <u>777,081</u>
<u>-</u>	\$ 679,293	<u>679,293</u>
<u>-</u>	679,293	<u>679,293</u>
<u>\$ 777,081</u>	<u>\$ 679,293</u>	<u>\$ 1,456,374</u>
\$ 17,201 2,207 5,844 <u>25,252</u>	<u>-</u>	\$ 17,201 2,207 5,844 <u>25,252</u>
<u>-</u>	\$ 6,314	<u>6,314</u>
<u>-</u>	6,314	<u>6,314</u>
<u>25,252</u>	<u>6,314</u>	<u>31,566</u>
214,337	(214,337)	-
537,492	(537,492)	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>751,829</u>	<u>(751,829)</u>	<u>-</u>
<u>\$ 777,081</u>		
	679,293	679,293
	<u>745,515</u>	<u>745,515</u>
	<u>\$ 1,424,808</u>	<u>\$ 1,424,808</u>

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Other Nonmajor Governmental Funds
REVENUE:			
Taxes	\$ 162,393		
Penal fines	57,764		
State aid	7,495		
Gifts and bequests	145,165		
Interest income	2,067	\$ 19,610	\$ 108
Charges for service	14,922		
Book fines	4,661		
Other revenue	196		
TOTAL REVENUES	394,663	19,610	108
EXPENDITURES:			
Personal services	163,267		
Books and periodicals	28,976		
Supplies	6,520		
Utilities & phone	13,190		
Professional services	9,964		
Maintenance	7,891		
Memberships	5,964		
Equipment & improvements	1,456		10,124
Copier expense	4,490		
Insurance	5,560		
Depreciation			
Other expenditures	2,760		611
TOTAL EXPENDITURES	250,038	-	10,735
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	144,625	19,610	(10,627)
OTHER FINANCING SOURCES (USES)			
Transfers in		45,977	
Transfers out	(45,977)		
TOTAL OTHER FINANCING SOURCES (USES)	(45,977)	45,977	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	98,648	65,587	(10,627)
FUND BALANCE JANUARY 1, 2004	115,689	467,794	14,738
FUND BALANCE DECEMBER 31, 2004	\$ 214,337	\$ 533,381	\$ 4,111

The accompanying notes are an integral part of these financial statements.

Total - Modified - Accrual Basis	GASB No. 34 Adjustments	LIBRARY AS A WHOLE Statement of Activities
\$ 162,393		\$ 162,393
57,764		57,764
7,495		7,495
145,165		145,165
21,785		21,785
14,922		14,922
4,661		4,661
196		196
<u>414,381</u>	<u>-</u>	<u>414,381</u>
163,267	\$ 857	164,124
28,976	(21,060)	7,916
6,520		6,520
13,190		13,190
9,964		9,964
7,891	(4,011)	3,880
5,964		5,964
11,580	(10,203)	1,377
4,490		4,490
5,560		5,560
-	49,883	49,883
3,371		3,371
<u>260,773</u>	<u>15,466</u>	<u>276,239</u>
<u>153,608</u>	<u>(15,466)</u>	<u>138,142</u>
45,977	(45,977)	-
(45,977)	45,977	-
<u>-</u>	<u>-</u>	<u>-</u>
153,608	(15,466)	138,142
<u>598,221</u>	<u>688,445</u>	<u>1,286,666</u>
<u>\$ 751,829</u>	<u>\$ 672,979</u>	<u>\$ 1,424,808</u>

RAWSON MEMORIAL LIBRARY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL TRUST AND AGENCY FUNDS December 31, 2004

LITERACY COUNCIL

	<u>BALANCE JANUARY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE DECEMBER 31, 2004</u>
<u>ASSETS</u>				
Due from other funds	\$ 4,521	\$ 1,800	\$ 477	\$ 5,844
<u>TOTAL ASSETS</u>	<u>\$ 4,521</u>	<u>\$ 1,800</u>	<u>\$ 477</u>	<u>\$ 5,844</u>
<u>LIABILITIES</u>				
Due to other Agencies	\$ 4,521	\$ 1,800	\$ 477	\$ 5,844
<u>TOTAL LIABILITIES</u>	<u>\$ 4,521</u>	<u>\$ 1,800</u>	<u>\$ 477</u>	<u>\$ 5,844</u>

The accompanying notes are an integral part of these financial statements.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rawson Memorial Library is a District Library organized under Section 6, Public Act 24 of 1989, located in Cass City, Michigan. The participating municipalities include Elkland Township, Village of Cass City, Novesta Township and Elmwood Township. The District Library Organizational Plan was dated December 6, 1989.

The District Library will be governed by a board consisting of eight appointed board members and serves the geographical areas of the municipal members.

The major accounting principles and practices followed by the Library are presented below to assist the reader in understanding the financial statements and the accompanying format of the financial statements for all funds presented in conformity with generally accepted accounting principles applied to governmental units.

BASIS OF ACCOUNTING:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the basic financial statements of the Rawson Memorial Library contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

ADOPTION OF NEW ACCOUNTING STANDARDS:

During the fiscal period 2004, the District adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the District to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at December 31, 2003 – governmental and special revenue funds	\$ 598,221
Net capital assets (restated)	693,902
Compensated absences	<u>(5,457)</u>
Restated net assets –January 1, 2004	<u><u>\$1,286,666</u></u>

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Fund Financial Statements (Continued):

Special Revenue Funds - The Capital Improvement Fund and the Endowment Fund are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

Cash and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

Property Taxes – The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. Rawson Memorial receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year following the December 1 levy date. The Library levied .75 mills on an SEV of \$174,974,212 on all property within the district. Two millage proposals were passed on August 6, 2002. The first is a millage levy of .75 mills for the next 10 years, 2003 to 2012; the other millage is a levy of .35 mills for 4 years from 2002 to 2005. These mills will be levied by the Library as of December 1, 2003 for the .35 mills and as of December 1, 2004 for the .75 mills.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 50 years
Furniture and equipment	5 – 20 years
Library books and videos	5 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - DEFINED CONTRIBUTION PENSION PLAN:

The Library established a Simplified Employee Pension Plan during 1984, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to ten (10%) percent of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$12,036 during 2004.

NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING:

Rawson Memorial Library adopts a budget for the General Fund and Special Revenue Funds just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 4 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, the bank balances were \$774,910. The carrying amount of the Library's deposits was \$774,874. Of the balance \$622,746 was covered by federal depository insurance. All Library deposits are uncollateralized.

Investments:

State statutes authorize the Library to invest in obligations of the United States, or agencies and instrumentalities of the U.S., commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptances, and mutual funds.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued):

Investments:

The Library's investments are categorized below to give an indication of the level of risk assumed at year ended. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name. The Library held no Category 1, 2 & 3 investments during 2004.

NOTE 5 - CHANGES IN CAPITAL ASSETS:

The adjustments column is to adjust prior year balances to the December 31, 2004 actual in accordance with new capitalization policy. A summary of changes in general fixed assets follows:

	BALANCE JANUARY 1, 2004	ADDITIONS	ADJUSTMENTS	BALANCE DECEMBER 31, 2004
Land	\$ 41,037			\$ 41,037
Buildings	716,952	\$ 5,666		722,618
Computer Equipment	34,911	8,055		42,966
Library Books	145,191	21,060	\$(28,210)	138,041
Machinery & Equipment	9,159	493		9,652
	947,250	35,274	(28,210)	954,314
Accumulated Depreciation	(253,348)	(49,883)	28,210	(275,021)
Net Capital Assets	\$693,902	\$(14,609)	\$ -	\$679,293

NOTE 6 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 7 – LEASES:

The Library leases a color copier under an operating lease agreement that expires in 2007. Lease expense amounted to \$3,288. At December 31, 2004, future lease payments under such leases are as follows:

<u>December 31</u>	
2005	\$4,404
2006	4,404
2007	2,202

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$2,207	\$5,844
Capital Projects Fund	0	2,207
Agency Fund	<u>5,844</u>	<u>0</u>
Total	\$8,051	\$8,051

NOTE 9- TRANSFERS:

The general fund transferred \$45,977 to the endowment fund during the current fiscal year.

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 OF 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Rawson Memorial Library's actual and budgeted expenditures have been shown on a line item basis. The approved budgets of the library have also been adopted to the line item level.

During the year ended December 31, 2004, the library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund			
Transfer to Endowment	\$ -	\$45,977	\$45,977
Special Revenue Fund			
Equipment	\$6,655	\$10,124	\$3,469

REQUIRED SUPPLEMENTARY INFORMATION

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIABLE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes	\$ 152,000	\$ 157,000	\$ 162,393	\$ 5,393
Penal fines	57,000	57,400	57,764	364
State aid	6,500	7,495	7,495	-
Gifts and bequests	16,000	14,000	145,165	131,165
Interest income	1,600	2,050	2,067	17
Charges for service	15,450	14,780	14,922	142
Book fines	3,400	4,400	4,661	261
Other revenues	500	180	196	16
TOTAL REVENUES	252,450	257,305	394,663	137,358
EXPENDITURES:				
Salaries	142,000	137,000	137,638	(638)
FICA	10,000	10,500	10,529	(29)
Retirement	10,800	12,000	12,036	(36)
Health Insurance	2,620	3,060	3,064	(4)
Books and periodicals, etc.	37,300	29,875	28,976	899
Supplies	7,550	6,620	6,520	100
Utilities & phone	12,700	13,156	13,190	(34)
Professional services	18,000	9,988	9,964	24
Maintenance	15,000	8,178	7,891	287
Memberships	5,500	5,655	5,964	(309)
Equipment & improvements	7,500	1,500	1,456	44
Copier expense	6,650	4,900	4,490	410
Insurance	5,500	5,500	5,560	(60)
Other expenditures	3,600	2,900	2,760	140
TOTAL EXPENDITURES	284,720	250,832	250,038	794
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,270)	6,473	144,625	138,152
OTHER FINANCING SOURCES (USES)				
Transfers in	18,000	18,500	-	(18,500)
Transfers out			(45,977)	(45,977)
TOTAL OTHER FINANCING SOURCES (USES)	18,000	18,500	(45,977)	(64,477)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (14,270)	\$ 24,973	98,648	\$ 73,675
FUND BALANCE JANUARY 1, 2004			115,689	
FUND BALANCE DECEMBER 31, 2004			\$ 214,337	

The accompanying notes are an integral part of these financial statements.

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
ENDOWMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET			VARIABLE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Interest income	\$ 18,000	\$ 18,500	\$ 19,610	\$ 1,110
Gifts and bequests				-
TOTAL REVENUES	<u>18,000</u>	<u>18,500</u>	<u>19,610</u>	<u>1,110</u>
EXPENDITURES:				
Equipment				-
Miscellaneous				-
TOTAL EXPENDITURES		<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>18,000</u>	<u>18,500</u>	<u>19,610</u>	<u>1,110</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			45,977	45,977
Transfers out	<u>(18,000)</u>	<u>(18,500)</u>		<u>18,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,000)</u>	<u>(18,500)</u>	<u>45,977</u>	<u>64,477</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	65,587	<u>\$ 65,587</u>
FUND BALANCE JANUARY 1, 2004			<u>467,794</u>	
FUND BALANCE DECEMBER 31, 2004			<u>\$ 533,381</u>	

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION

RAWSON MEMORIAL LIBRARY

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

December 31, 2004

	ENDOWMENT FUND	CAPITAL IMPROVEMENT FUND	TOTALS
<u>ASSETS</u>			
Cash on hand & in banks		\$ 6,318	\$ 6,318
Certificates of deposits	\$ 533,381		533,381
TOTAL ASSETS	\$ 533,381	\$ 6,318	\$ 539,699
<u>LIABILITIES & FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to other funds		\$ 2,207	\$ 2,207
FUND BALANCE			
Reserved	\$ 533,381	4,111	537,492
TOTAL LIABILITIES AND FUND BALANCE	\$ 533,381	\$ 6,318	\$ 539,699

See the accompanying notes.

RAWSON MEMORIAL LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS December 31, 2004

	ENDOWMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL	BUDGET TOTAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:					
Interest income	\$ 19,610	\$ 108	\$ 19,718	\$ 25,755	\$ (6,037)
Gifts and bequests	-	-	-	-	-
TOTAL REVENUES	19,610	108	19,718	25,755	(6,037)
EXPENDITURES:					
Equipment	-	10,124	10,124	6,655	(3,469)
Miscellaneous	-	611	611	600	(11)
TOTAL EXPENDITURES	-	10,735	10,735	7,255	(3,480)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,610	(10,627)	8,983	18,500	(9,517)
OTHER FINANCING SOURCES (USES)					
Transfers in	45,977	-	45,977	-	45,977
Transfers out	-	-	-	(18,500)	18,500
TOTAL OTHER FINANCING SOURCES (USES)	45,977	-	45,977	(18,500)	64,477
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	65,587	(10,627)	54,960	-	54,960
FUND BALANCE JANUARY 1, 2004	467,794	14,738	482,532	482,532	-
FUND BALANCE DECEMBER 31, 2004	\$ 533,381	\$ 4,111	\$ 537,492	\$ 482,532	\$ 54,960

See the accompanying notes.